

JOSEPH P. RUSSONIELLO
United States Attorney
THOMAS MOORE
Assistant United States Attorney
Chief, Tax Division
DAVID L. DENIER
Assistant United States Attorney
10th Floor Federal Building
450 Golden Gate Avenue, Box 36055
San Francisco, California 94102
Telephone: (415) 436-6888
Fax: (415) 436-6748
W. CARL HANKLA (DCBN 41165)
Trial Attorney, Tax Division
United States Department of Justice
P.O. Box 683, Ben Franklin Station
Washington, D.C. 20044
Telephone: (202) 307-6448
Fax: (202) 307-0054
E-mail: w.carl.hankla@usdoj.gov

IN THE UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

**ALEXANDRE BALKANSKI TRADING
PARTNER, LO; AAB & SB, LLC, Tax
Matters Partner; ALEXANDRE
BALKANSKI, Sole Member-Manager,**

Plaintiffs,

$$V_{\bullet}$$

UNITED STATES OF AMERICA,

Defendant.

CV 08-002494 SI

)JOINT STATUS REPORT AND STIPULATION
)FOR EXTENSION OF TIME TO ANSWER AND
)FOR CONTINUANCE OF CASE MANAGEMENT
)CONFERENCE

The parties hereby provide this status report and stipulate pursuant to Local Rule 6-1(a), that, because the parties have made significant progress in their ongoing attempt to settle this matter, (1) the defendant should have an additional extension of time, from March 16, 2009 to May 15, 2009, in which to answer or otherwise respond to the complaint, and (2) the case management conference, currently scheduled for April 10, 2009, should be continued to June 12, 2009 ^{@ 2:30 p.m.} or later, with the joint case management statement due a week before the conference.

STIPULATION FOR EXTENSION OF TIME
No. CV-08-002494 SI

The parties respectfully represent they have good cause for making this request as described below:

1. This case is complex federal tax proceeding. It arises from the Internal Revenue Service's proposed disallowance of millions of dollars of losses the plaintiff partnership claimed on federal tax returns by means of an allegedly abusive tax shelter. See IRS Notice 2002-35 (identifying "notional principal contract" shelters and warning that "the tax benefits purportedly generated by these transactions are not allowable for federal income tax purposes"). The plaintiffs contend that the positions taken on the tax returns were correct.
2. Since January 5, 2009, when the parties filed their last stipulation for an extension of time, they have made significant progress toward a settlement.
3. On January 20, 2009, the plaintiffs made a formal settlement offer based on terms similar to those on which other cases involving this type of tax shelter have been settled.
4. The Tax Division of the Department of Justice is in the process of reviewing and acting on the offer on behalf of the Attorney General pursuant to Part O, Subpart N of Title 28 of the Code of Federal Regulations. Since January 5, 2009, when the offer was submitted, (1) the trial attorney has obtained the favorable views of the IRS, (2) the trial attorney has recommended to his section chief that the offer be accepted, (3) the section chief has recommended to the Office of Review that the offer be accepted, and (4) the Office of Review is reviewing the offer and will either take final action or will make a further referral to the government official(s) having authority to take final action.

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5. Postponement of the answer due date and case management conference date while the settlement process continues would be in the interest of judicial economy.

DATED this 12th day of March, 2009.

JOSEPH P. RUSSONIELLO
United States Attorney
THOMAS MOORE
Assistant United States Attorney
Chief, Tax Division
DAVID L. DENIER
Assistant United States Attorney
10th Floor Federal Building
450 Golden Gate Avenue, Box 36055
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Telephone: (415) 436-6888
Fax: (415) 436-6748

/s/ W. Carl Hankla
W. CARL HANKLA
Trial Attorney, Tax Division
United States Department of Justice
P.O. Box 683, Ben Franklin Station
Washington, D.C. 20044
Telephone: (202) 307-6448
Fax: (202) 307-0054
E-mail: w.carl.hankla@usdoj.gov

DATED this 12th day of March, 2009.

ALEXANDRE BALKANSKI TRADING PARTNER,
LP; AAB & SB. LLC., Tax Matters Partner,
ALEXANDRE BALKANSKI, Sole Member-Manager

/s/ Edward M. Robbins, Jr.
EDWARD M. ROBBINS, JR.
CHARLES P. RETTIG
DAVID ROTH
HOCHMAN, SALKIN, RETTIG, TOSCHER &
PEREZ, P.C.
9150 Wilshire Boulevard, Suite 300
Beverly Hills, CA 90212
Telephone: (310) 281-3200
Fax: (310) 859-5129

STIPULATION FOR EXTENSION OF TIME
No. CV-08-002494 SI

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